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SUBJECT: A/S WAYNE BRIEFS QATARI OFFICIALS ON STRATEGIC INVESTMENT INITIATIVE

REF: STATE 231703

Classified By: Ambassador Chase Untermeyer for reasons 1.4 (b) and (d).

¶1. (C) Summary. The Qatari Minister of State for Foreign Affairs and Finance Minister welcomed in principle the USG proposal presented by EB A/S Wayne for strategic investments in stability in the region. They were well-prepared and provided updates on their current assistance to the four priority need in the region -- Iraq, Afghanistan, Lebanon, and the Palestinian Authority. The Qataris did not commit to greater assistance but expressed willingness to engage in a deeper dialogue and consider new vehicles for assistance.
COMMENT: The door appears open with the Qataris on the initiative, but it will require further follow-up. End Comment and Summary.

¶2. (C) A/S Wayne and delegation met with Minister of State for Foreign Affairs Ahmed bin Abdulla al-Mahmoud, in the absence from Qatar of Foreign Minister Hamad bin Jassim Al Thani, on January 5; al-Mahmoud was accompanied by staff from the Office of American and European Affairs. A/S Wayne outlined the Strategic Investment Initiative, noting that Washington works closely on reconstruction and assistance issues with European countries and Japan and would like to start such an action-oriented dialogue with our friends in the Gulf. The dialogue would ensure that the necessary political decisions regarding investment and reconstruction would be well-informed. Coordination is needed. He noted the donor conferences planned or expected for the first months of 2006 for Afghanistan, Iraq, Lebanon, and the Palestinians. The dialogue would also help deliver a "consistent message" to the countries that receive funding.

¶3. (C) A/S Wayne and Treasury DAS Ahmed Saeed described the initiative as a "strategic investment in regional stability" with a multi-year time horizon and focused on Iraq, Afghanistan, Palestinian territories, and Lebanon. They invited the Qataris to discuss the initiative further with U.S. officials, perhaps by tele- or video-conference. A follow-up visit of senior U.S. officials will come at the end of January.

¶4. (C) A-Mahmoud replied positively, welcoming the initiative as a way to strengthen the relationship with the United States. "Your approach is a good one," he said. He called the bilateral relationship "strategic" for Qatar. But he said that Qatari leaders have been "embarrassed" when, in their view, Washington has not followed through after promising some action. He said this happened in October 2005 when the Foreign Minister arranged for a dialogue in Doha with Iraqi Sunni leaders and the U.S. did not respond. (Note. The son of the head of the Muslim Ulema in Iraq, Harith al-Dari, was in Qatar in October.) "If we agree on something, let's continue with it," he urged. He said Qatar was open to considering specific U.S. proposals.

¶5. (C) Al-Mahmoud said Qatar was trying to find opportunities for sustainable investment. In the Palestinian Territories, he said Qatar is thinking of investing in a bank to do small, community business loans and in a possible road to link Gaza and the West Bank. He said the Foreign Minister is planning a visit to the territories early in 2006. Al-Mahmoud said \$265 million has been donated to the Palestinians "so far" and that Qatar has paid in its full pledge to the Arab League. He said an investment company, International Salaam Company, was announced at the recent Amman conference; it will be capitalized at \$250 million from private Qatari and Palestinian sources and will focus on reconstruction and investment projects in the territories. As an aside, he urged the U.S. to maintain the pressure on Israel to allow elections in East Jerusalem. Given that democracy is the centerpiece of U.S. policy in the Middle East, he argued, prohibiting the Palestinians from exercising their democratic rights would undermine the U.S. in the region. A/S Wayne said we was aware President Abbas had called for additional budget support during his recent visit to Doha and stressed that the short-term need is real.

¶6. (C) On Lebanon, al-Mahmoud said that Qatar has donated \$134 million, including \$60 million to support the currency, since 1974. This total includes 23 cars provided by Qatar for an Arab League meeting in Beirut in 2002.

¶7. (C) On assistance to Afghanistan, al-Mahmoud said the Amir

pledged \$10 million "to assist the people" at the December 2005 Organization of Islamic Conference meeting. At the 2005 Tokyo donors' conference, Qatar had pledged to do more. By May 2005, \$20 million financial and in-kind assistance had been provided by Qatari charities. Also in May, a conference in Doha for Afghan police raised \$360 million for Afghanistan. Qatar has also recently announced it will host a conference to support the police infrastructure in the country. A/S Wayne described the Afghanistan Compact as "a very good document on Afghanistan's needs" which was arrived at in an interactive process instructive to the Strategic Investment Initiative. He urged Qatari officials to familiarize themselves with the Compact and be ready to support it at the London conference as well as announce further support.

¶ 18. (C) Al-Mahmoud also discussed Qatar's assistance to Iraq. Prefacing his remarks with "Your success in Iraq is our success," he provided the following breakdown of disbursements of the \$100 million pledge at the Madrid donors' conference:

-- \$15 million to UNESCO for higher education
-- \$15 million for vehicles for the Iraqi government
-- \$10 million to World Bank Fund
-- \$5 million to train 1,464 police officers
-- \$20 million for pre-fabricated buildings and a hospital
-- \$3.5 million to train 10 persons in civil aviation
-- \$1.5 million for the 2004 Iraq conference in Doha

Al-Mahmoud said this was in addition to Qatar Red Crescent assistance to Iraq.

¶ 19. (C) Debt relief was discussed and a Qatari commitment was made during the visit of Special Envoy James Baker in 2003, al-Mahmoud said. At this stage, the Iraqis have not provided an interlocutor to deal with on the issue. He said the Amir might "respond to the request" on debt relief after Eid al-Adha (the holiday period ending January 15).

¶ 10. (C) A/S Wayne described a donors committee and working group in Baghdad which the U.S. Government has encouraged to look sector by sector and perform a needs assessment. The committee will be useful for coordination and determining specific needs. Al-Mahmoud admitted that Qatar does not have diplomatic representation in Iraq for security reasons.

¶ 11. (C) A/S Wayne suggested that the U.S. side would be pleased to have more detailed phone- or video-conference discussions on each of the four key countries with Qatari experts. The Qatari Americas Director said they would consider whether to have the conversation bilaterally or GCC-wide.

Minister of Finance

¶ 12. (C) A/S Wayne outlined the SII (paragraphs 2-3) for Minister of Finance Yousef Hussain Kamal, who said that stability and security are prerequisites for investment. A/S Wayne made the point that for security and stability to take hold, people have to have prospects for prosperity. He gave the example of prosperity beginning to appear in the former Yugoslavia after a combination of sustained political and economic support.

¶ 13. (C) Minister Kamal appeared briefed on the concept of the SII and saw it along the lines of an investment vehicle. He asked, is it investment or aid? Will it be structured as a joint venture or a holding company? DAS Saeed explained that the World Bank trust funds and other IFI involvement represents a possible vehicle for use by the SII, but that the notion of strategic investment implies higher level cooperation and coordination. The minister expressed dissatisfaction that prior Qatari assistance had disappeared and that a better model would be a public-private joint venture with 30-40% held by the private sector; they would be first in line to obtain returns. He said government participants -- the other 60-70% -- would likely accept a zero rate of return because the vehicle would enhance stability. He also expressed the view that the World Bank and IMF could be involved in this vehicle.

¶ 14. (C) Kamal said the investment vehicle should be set up as a business, with private sector leaders, such as former executives from Citigroup or Microsoft, on the board of directors. "You don't want government people on the board," he said. But governments should be like the "General Assembly," approving the broad direction of the venture. He welcomed the principle of the initiative, saying Qatar "does a lot of assistance," but in the end, there is no follow-through or results. Kamal said that, while he is the Secretary General of the Supreme Council for Investment,

reporting to the Amir, all follow-up on the SII will be with the MFA.

¶15. (C) Welcoming the minister's recommendations, A/S Wayne said we definitely want to encourage private sector growth and activity and we want to involve the private sector in our efforts. Identifying benchmarks, using the international financial institutions to identify needs, and discussing disbursement mechanisms are all important.

¶16. (C) A/S Wayne noted that the GOQ had recently purchased a bank in Lebanon. Kamal said the price was \$246 million and that the GOQ considers it a long-term investment. "This is the Amir's strategy," he said. "It will be our arm in Lebanon." Qatar makes investments in the Arab region as a way to encourage the private sector to do the same. He added that Qatar donated 100 police cars to Lebanon and NGOs are helping the schools. A/S Wayne concluded by noting our belief that the IMF can play a very important role in a sustainable reform program for Lebanon.

UNTERMEYER